

Message Text

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ACTION ARA-10

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TAGS: EMIN, EFIN, EINV, EIND, DR

SUBJECT: GODR DIVIDED OVER ENLARGING US GOLD MINING CONCESSION

REF: (A) 75 SANTO DOMINGO A-104; (B) 75 SANTO DOMINGO A-137

1. THE GODR COMMISSION TO CONSIDER AN ENLARGEMENT OF THE ROSARIO GOLD MINING CONCESSION HAS JUST RECOMMENDED TO PRESIDENT BALAGUER THAT THE DOMINICAN STATE ITSELF RATHER THAN A PRIVATE ENTITY BE ALLOWED TO EXPLOIT THE AREA KNOWN AS LOS CACAOS IMMEDIATELY ADJACENT TO THE PUEBLO VIEJO OPERATION OF ROSARIO. THE CENTRAL BANK, WHICH IS A 20-PERCENT PARTNER WITH THE NEW YORK AND HONDURAS ROSARIO MINING COMPANY (40-PERCENT OWNERSHIP) AND SIMPLOT INDUSTRIES OF BOISE, IDAHO (40-PERCENT OWNERSHIP), DISSENTED FROM ALL THE RECOMMENDATIONS OF THE COMMISSION AND PROTESTED ITS NOT REPEAT NOT BEING INVITED TO THE FINAL SESSION OF THE COMMISSION FOR SIGNING THE RECOMMENDATIONS TO PRESIDENT BALAGUER.

2. THE COMMISSION ALSO SUBMITTED TWO POSSIBLE ALTERNATIVES:

(1) TO NEGOTIATE WITH ROSARIO TERMS FOR EXPLOITING LOS CACAOS WHICH WOULD BE MORE FAVORABLE TO THE GODR THAN THE CURRENT TERMS FOR PUEBLO VIEJO, AND (2) RENEGOTIATE THE PRESENT TERMS FOR LIMITED OFFICIAL USE

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EXPLOITING PUEBLO VIEJO WHILE INCLUDING LOS CACAOS UNDER A NEW

CONTRACT WHICH WOULD GIVE THE DOMINICAN STATE GREATER PARTICIPATION.

3. THE COMMISSION IS MADE UP OF GUIDO D'ALESSANDRO, SECRETARY OF INDUSTRY AND COMMERCE; FERNANDO ALVAREZ BOGAERT, SECRETARY OF FINANCE; ALFONSO LOCKWARD, TECHNICAL SECRETARY OF THE PRESIDENCY; FERNANDO PERICHE VIDAL, DIRECTOR OF THE DOMINICAN CENTER FOR EXPORT PROMOTION; CARLOS J. SELIMAN, ECONOMIC ADVISOR TO THE PRESIDENT; AND JUAN O. VELAZQUEZ, LEGAL ADVISOR OF THE CENTRAL BANK.

4. VELAZQUEZ DID NOT SIGN THE COMMISSION'S REPORT AND IS QUOTED IN THE LOCAL PRESS AS SAYING HE WAS NOT INVITED TO THE COMMISSION'S MEETING ON DECEMBER 31. D'ALESSANDRO IS ALSO QUOTED IN THE PRESS AS SAYING VELAZQUEZ WAS NOT INVITED BECAUSE IT WAS SIMPLY A SIGNING CEREMONY AND IT WAS KNOWN IN ADVANCE THAT THE CENTRAL BANK WOULD NOT SIGN.

5. IN REPAIR (A) THE EMBASSY REPORTED THE PUBLIC ATTACK OVER ROSARIO ON THE CENTRAL BANK WHICH D'ALESSANDRO HAD INITIATED AND WHICH HAD PROVOKED REPLIES IN THE FORM OF FULL-PAGE ADVERTISEMENTS IN THE SANTO DOMINGO PRESS FROM CENTRAL BANK GOVERNOR DIOGENES FERNANDEZ.

6. ROSARIO AND SIMPLOT HAVE A PARTNERSHIP CONTRACT WITH THE CENTRAL BANK BUT THEIR MINING QUOTE CONCESSION UNQUOTE CONSISTS OF A 1972 RESOLUTION OF THE THEN SECRETARY OF INDUSTRY AND COMMERCE ALLOWING THEM TO OPERATE UNDER THE TERMS OF THE EXISTING MINING LAW.

7. AT THE TIME OF THE FEASIBILITY STUDY FOR THE MINE THE PRICE OF GOLD WAS APPROXIMATELY \$45 AN OUNCE. WHEN THE PRICE SHOT UP TO SOME \$190, VARIOUS DOMINICAN OFFICIALS BEGAN TO THINK ABOUT A GREATER RETURN FOR THE GODR.

8. D'ALESSANDRO AND LOCKWARD ARE CHRISTIAN SOCIALISTS IN THE REFORMISTA GOVERNMENT OF BALAGUER BUT ALL THE OTHER MEMBERS OF THE COMMISSION EXCEPT VELAZQUEZ ARE ALSO RIVALS IF NOT ENEMIES OF CENTRAL BANK GOVERNOR FERNANDEZ.

9. IT HAS BEEN D'ALESSANDRO, HOWEVER, WHO HAS BEEN LEADING THE ATTACK AS PRESIDENT OF THE COMMISSION AND AS THE CABINET MINISTER LIMITED OFFICIAL USE

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RESPONSIBLE FOR MINING. IN PRIVATE CONVERSATIONS WITH VARIOUS EMBASSY OFFICIALS, D'ALESSANDRO HAS INDICATED THAT HE WANTS ROSARIO TO CARRY OUT AN EXPLORATION OF LOS CACAOS TO DETERMINE THERECHNESS OF THE ORE BEFORE TERMS ARE AGREED UPON FOR ENLARGING THE CONCESSION. ON THE OTHER HAND ROSARIO, WHO HAS ASKED FOR THE CONCESSION, NATURALLY HAS LITTLE INTEREST IN SPENDING MONEY ON EXPLORATION IF IT DOES NOT HAVE SOME ASSURANCE OF GETTING THE CONCESSION.

10. UNDER THE CURRENT MINING LAW A COMPANY WHICH CARRIES OUT SUCH AN EXPLORATION IS SUPPOSED TO BE OFFERED THE FIRST OPPORTUNITY FOR EXPLOITATION RIGHTS BUT DOES NOT HAVE FULL ASSURANCE THAT IT WILL RECEIVE SUCH RIGHTS. ROSARIO, HOWEVER, HAS A \$40-MILLION PLANT INSTALLATION NEXT TO LOS CACAOS AND IS THEREFORE A LOGICAL CANDIDATE FOR EXPLITING THAT AREA. THE BIG QUESTION IS UNDER WHAT TERMS IT WILL BE ABLE TO DO SO.
AXELROD

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